

**ALABAMA PACT TRUST FUND
REQUEST FOR PROPOSAL
FOR
CUSTODIAL SERVICES**

Release Date: June 8, 2010
Proposal Due Date: July 9, 2010

1. Overview.

This Request for Proposal (RFP) has been issued by State Treasurer Kay Ivey (Treasurer), at the direction of the Prepaid Affordable College Tuition (PACT) Trust Fund Board of Directors (Board). The Treasurer solicits proposals from qualified professional firms interested in providing investment custodial services (“the Manager”) to the Prepaid Affordable College Tuition (“PACT”) Trust Fund.

This Request for Proposals (hereinafter “RFP”) is issued in accordance with the requirements of Section 41-16-72(4), Code of Alabama (1975). This RFP is not an offer to contract but seeks the submission of proposals from qualified, professional firms that may form the basis for negotiation of an Investment Custodial Agreement. *The Board reserves the right to reject any or all proposals and to solicit additional proposals if that is determined to be in the best interest of the Alabama PACT Trust Fund.*

PACT is a qualified 529 prepaid college tuition savings program. PACT no longer accepts enrollments; prepaid college tuition contracts were sold to purchasers to pay in advance college tuition and qualified fees for beneficiaries. The PACT Trust Fund holds the program assets.

The PACT Trust Fund has assets, as of March 31, 2010, of approximately \$482 million. The current allocation of program assets is as follows: 74% domestic fixed income (\$355.5M); 17% domestic equity (\$80.3M); 8% international equity (comingled account) (\$39.2M) 2% cash (\$7.7M). There are four fund managers. Callan Associates assists the PACT Board with asset allocation, investment policy and manager selection and monitoring.

Information about the PACT program, including the current Investment Policy and Manager Guidelines, is available at the Treasurer’s website which is www.treasury.alabama.gov.

2. RFP Objectives.

While specific requirements are provided within the respective service sections of this document, the Board’s overall objectives for this RFP are to:

1. Select a firm which offers efficient and effective services, and product solutions that will support the Board’s current and future custodial needs.
2. Establish optimal pricing for the custodial services defined within this RFP.
3. Utilize custodial services which will improve efficiency, effectiveness, security and enhance control.

3. Minimum Qualifications.

Include Exhibit D in the proposal as documented proof that the minimum qualifications listed below are met. The vendor has a continuing obligation to disclose information throughout the RFP process should any qualifications or situations change that might render the vendor as an unqualified candidate.

- (a) The Custodian will be qualified on the first day in which the company begins functioning as “custodian” with the Secretary of State to conduct business in the State of Alabama, if selected. For more information, visit the Secretary of State website at www.sos.state.al.us/ and click Business Services/Corporations.
- (b) The Custodian has been providing custodial services for at least 5 years.
- (c) The Custodian currently provides custodial services for accounts with total assets having a market value of at least \$600 Million, including all asset classes.
- (d) The account manager proposed for this account has a minimum of three (3) years experience administering custodial accounts of similar size .
- (e) The Custodian and its personnel have all authorizations, permits, licenses, and certifications as may be required under Federal, State or local law to perform the services specified in this RFP at the time it submits the response.
- (f) The Custodian has in force errors and omissions insurance or a comparable instrument to cover negligent acts or omissions.
- (g) The Custodian maintains sufficient procedures and redundancy capabilities to assure continued processing in an emergency.
- (h) The Custodian has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.
- (i) The Custodian attests that all workers providing the services described in this RFP are either citizens of the United States or are in proper and legal immigration status that authorizes them to be employed for pay within the United States, if working in the United States.
- (j) The Custodian is committed to work closely and cooperatively with the Board to facilitate the implementation of any enhancements or modifications required by the Board.

4. Proposal Required Information.

Responses to this RFP must include: (1) a brief transmittal letter; (2) Exhibit A, Qualifications and Experience; (3) Exhibit B, Services; (4) Exhibit C, Statement of Charges; (5) Exhibit D, Minimum Qualifications; and (6) Disclosure Statement. All proposals submitted in response to this RFP must include one original Disclosure Statement as required by Section 41-16-82, et seq., Code of Alabama (1975). Copies of the Disclosure Statement, and information, may be downloaded from the State of Alabama Attorney General’s web site at www.ago.alabama.gov/publications.cfm.

5. Submission of Proposals.

Issuing Office. The State Treasurer issues the RFP on behalf of the Board.

Office of State Treasurer Kay Ivey
Alabama State Capitol
600 Dexter Avenue, Suite S106
Montgomery, Alabama 36104

Phone: 334-242-7500

Submission Deadline. It is the responsibility of the vendor to ensure that its proposal is timely delivered and received in the Treasurer’s Office on or before 5:00 p.m. on July 9, 2010. Provide one original proposal response plus four additional copies to facilitate the response

evaluation process. Email an electronic copy of the response to alatreas@treasury.alabama.gov for retention purposes.

The Board will not consider proposals received after the date and time specified herein. The Board assumes no responsibility for late delivery by the U.S. Mail, the State's Central Mail Facility, a commercial courier service, or any other method of delivery selected by the respondent. The response may be emailed by the submission deadline with the paper documents delivered within two business days.

Questions and Inquiries. The sole point of contact for purposes of this RFP is Brenda Emfinger. Any questions or inquiries should be emailed to Brenda.emfinger@treasury.alabama.gov by July 9, 2010 in order to assure a timely response. Any oral communications shall be considered unofficial and nonbinding on the State. Written responses to written comments shall be posted on the Treasurer's website.

Rejection of all Proposals. The Board reserves the right to reject any or all proposals and/or to solicit additional proposals if that is determined to be fiscally advantageous to PACT or otherwise in its best interests.

6. Evaluation and Selection.

After the review and evaluation of the proposals, the Board or Board Committee may conduct interviews. Finalists chosen for interviews will be notified. The Board will select the Custodian the Board determines, in its sole discretion, to be fully qualified and best suited among those submitting proposals to meet the needs of PACT in a cost effective manner.

The RFP shall be posted on the State Treasurer's website www.treasury.alabama.gov. Interested parties may monitor the progress and status of this RFP process on the website.

7. Agreement.

All duties of the Custodian shall be set forth in a contract agreement between the vendor and the Board. The contract will be a five-year term. The contract will incorporate reference to the requirements of the RFP and the vendor's proposal as negotiated.

State law prohibits the Board from agreeing to (1) indemnify the firm; (2) waive the right for jury trial; (3) grant a security interest; or (4) binding arbitration. Additionally, it is mandatory that Alabama laws apply to the performance of the contract and that jurisdiction and venue be in Montgomery, Alabama for State and Federal courts.

8. Method of Payment.

The Custodian shall be entitled to receive quarterly compensation, in arrears. See Exhibit C, Statement of Charges, for additional information.

9. Efforts to Influence Selection Process Prohibited

The integrity of the RFP process is of primary importance and will not be compromised. Any written or oral communications beyond the RFP response made by responders, or others on their behalf, whether paid or unpaid, to influence the selection process, from the time the RFP is issued through its conclusion, made directly or indirectly to Board members or their staff will be grounds for immediate elimination from the selection process.

10. Public Information.

All responses received will be subject to the Alabama Open Records Act, §36-12-40, Code of Alabama and may be subject to public disclosure upon request. The Open Records Act is remedial and should therefore be liberally construed in favor of the public. The Alabama Trade Secrets Act is §8-27-1 through §8-27-6, Code of Alabama. Responders are cautioned to be familiar with these statutes. The burden is on the one asserting the trade secret to show that the information sought to be protected meets the definition of a Trade Secret as defined in the Act.

Any RFP response submitted that contains confidential, trade secrets or proprietary commercial information must be conspicuously marked on the outside as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as such. Identification of the entire bid proposal as confidential is not acceptable unless the Firm enumerates the specific grounds or applicable laws, which support treatment of the entire material as, protected from disclosure according to the foregoing statutes or other applicable Alabama law.

The owner of the confidential information shall indemnify and hold the State of Alabama, the Board, and staff harmless from all costs or expenses, including but not limited to attorney fees and expenses related to litigation concerning disclosure of said information and documents.

Exhibit A

Qualifications and Experience

Part I. Organization

- A. Provide an overview of your firm, including corporate profile, firm experience, quality control procedures, ownership structure, financial condition, and overall business objectives.
- B. Provide a listing of all vendors or subcontractors your firm will partner with to provide services to PACT.
- C. Provide a listing of all “related” or “affiliated” firms.
- D. Provide details of any claims, disputes, litigations, SEC or State regulatory actions, or other legal proceedings relating to your firm or individual personnel in the three preceding years.
- E. Provide details of any claims, disputes, litigations or other legal proceedings where your firm is involved with the State of Alabama or any of its agencies, or has been involved, in the three preceding years.
- F. Provide details of all SEC fidelity bonds, errors and omissions coverage, and any other fiduciary insurance, which your firm carries. Will the State of Alabama be named as an additional named insured on any of these policies?
- G. Describe your external audit processes of your custodian system. Has the firm ever received a qualified opinion? If so, please provide detail.
- H. Provide a copy of your latest audit and SAS 70.

Part II. Personnel

- A. Provide biographies of the person/persons/or team members who will be assigned to this account.

Part III. Account Management

- A. Provide a breakdown of Custodial Separate Accounts as of March 31, 2010.

Size of Account	Domestic Assets \$	Domestic Accounts #	International Assets \$	International Accounts #
Under \$500 million				
\$500 million - \$1 billion				

- B. Provide the following information on at least five clients (including contact persons for whom similar services as described in this RFP are provided):
 - a. Company
 - b. Address
 - c. Contact
 - d. Telephone Number
 - e. Length of Relationship in Year
 - f. Services Provided

Exhibit B Services

A summary of the current portfolio is attached in Exhibit G for your reference in pricing and reporting services.

Part I. Reporting/Pricing/Online System

- A. Provide a brief description of your reporting system, including a sample listing of standard reports. Does the system allow the user to create reports? Attach a sample of the monthly trade date statement.
- B. Describe your composite and individual manager reports.
- C. Is there an audit process prior to monthly reports being released? When are reports made available following the end of the month? Is this timeframe negotiable?
- D. Governmental Accounting Standards Board (“GASB”) requires annual disclosure of credit, interest rate and foreign currency risks at fiscal year end. To comply with this requirement, a report should be provided to include all securities with their corresponding credit ratings, maturity dates and foreign currency risks. Is this considered special reporting?
- E. To what extent will your accounting and reporting be customized to meet the individual client’s needs and/or any regulatory authority? An example of a monthly-customized report required by PACT Trust Fund is included in Exhibit F.
- F. Can you provide a monthly statement electronically or hard copy is to be provided to the PACT Trust Fund consultant no later than the 10th business day of the month.
- G. Describe the monthly process for pricing and rating securities, including thinly traded or illiquid securities. What pricing services do you use, and in what order? If no price is available, what price is included on the report? What assurances does PACT receive that the pricing and rating are reasonable?
- H. Describe the online system and its capabilities to the PACT user.
- I. Describe the online system and its capabilities to the investment manager.

Part II. Cash Management

- A. Summarize the products available for the investment of cash balances that meet the following guidelines: a commingled short-term investment fund managed by the custodian consistent with OCC Reg 9 and/or SEC Rule 2a-7, securities issued by the U.S. Government and its agencies, certificates of deposits, repurchase agreements, and commercial paper rate A-1 by Standard & Poor’s and P-1 Moody’s (or equivalent).
- B. Monthly income is not available for reinvestment by the PACT Trust Fund managers.
- C. Describe the process for wire transferring the income monthly and the timeframe that income can be transferred.

Part III. Safekeeping and Securities Delivery

- A. Describe the relationship and communication between the custodian and investment managers.
- B. Explain how securities are held in safekeeping, including separation from other accounts, and if held in trust.
- C. Describe your securities settlement and clearance procedures. Include an in-depth explanation of your relationship with DTC, PTC, FBE and any other depositories and your participation in their services and processes.
- D. Describe the frequency of fails during the past year. What were the causes for the fails?
- E. Explain procedures for delayed and failed trades. Is any compensation provided?

Part IV. International/Global Custody

- A. Describe your expertise in global custody services for a comingled fund.
- B. Do you subcontract global custody to another provider? Please describe your selection criteria. How many countries do you provide a sub custody network?
- C. Do you use central depository facilities outside of the U.S.? Explain the process with international clearing.
- D. Describe your tax reclaim process.

Part V. Securities Lending

- A. List the number of accounts involved in your securities lending program, size and makeup of your portfolio.
- B. Describe your policies, procedures and internal controls related to your securities lending program.
- C. Describe any indemnification you offer. Have you ever experienced a default in your securities lending program? If so, describe.
- D. Have you incurred any losses since the inception of your securities lending program (i.e. operational negligence, broker default, collateral reinvestment, etc.)?
- E. Describe your method of loan allocation among participating accounts.
- F. Describe your process to review borrowers' credentials.
- G. What communication policy is provided with the client to inform of downgrade of securities, illiquid collateral flows, and similar instances?

Part VI. Miscellaneous

- A. Upon receipt of new custody account assets, what is the expected timeframe for the transition to be complete and balanced? Describe the process for receiving new custody assets.
- B. Do you provide transition management services to transition assets between managers? If so, describe.
- C. Describe any other services that you provide that may be of interest to PACT Trust Fund. Include pricing.

EXHIBIT C
STATEMENT OF CHARGES

All charges must be included and the final quote must be initially submitted. Any charge for services not addressed in the Statement of Charges in your proposal will not be allowed during the course of the contract.

A. Provide a Statement of Fees.

B. Securities Lending: Securities Lending may be discontinued in the future.

(a) Provide the Securities Lending Income Split: _____% _____%
PACT Trust Fund Custodian

(b) Provide the method of computation for the rebate percentages returned to the borrowers of the PACT Trust Fund securities.

EXHIBIT D
MINIMUM QUALIFICATIONS

- A. My company will be qualified on the first day in which my company begins functioning as “custodian” with the Secretary of State to conduct business in the State of Alabama, if selected.

Yes No

- B. My company has been providing custodial services for at least five (5) years.

Yes No

- C. My company currently provides custodial services for accounts with total assets having a market value of at least \$1 billion and in all asset classes.

Yes No

- D. The account manager proposed for this account has a minimum of three (3) years experience administering custodial accounts of similar size as the PACT Trust Fund.

Yes No

- E. My company and its personnel have all authorizations, permits, licenses, and certifications as may be required under Federal, State or local law to perform the services specified in this RFP at the time it submits a response to the RFP.

Yes No

- F. My company carries errors and omissions insurance or a comparable instrument to cover the firm’s negligent acts or omissions.

Yes No

- G. My company maintains sufficient procedures and redundancy capabilities to assure continued processing in an emergency.

Yes No

- H. My company has a company policy and practice of equal employment opportunity and non-discrimination based on race, creed or gender.

Yes No

- I. My company is committed to working closely and cooperatively with the Board to facilitate the implementation of any enhancements or modifications required by the Board.

Yes No

- J. My company attests that all workers providing the services described in this RFP are either citizens of the United States or are in proper and legal immigration status that authorizes them to be employed for pay within the United States, if working in the United States.

Yes No

By signing this Exhibit, I certify that I am authorized to bind the company, and that the foregoing information is correct and true.

Signature _____

Date _____

Schedule F
PACT Trust Fund Asset Categorization Report
December 31, 2009

Mgr.	Cusip	Ala. Code	Description	Maturity Date	Book Value	Market Value
365409		1010	U.S DOLLARS		(4,359,582.34)	(4,359,582.34)
		1010 Total			(4,359,582.34)	(4,359,582.34)
365409	S86915740	1105	CUSIP 313589SF1 HELD @ BROKER VS COLL25 Jan 10		34,990.00	35,000.00
		1105 Total			34,990.00	35,000.00
365405	S99994220	1116	DREYFUS INST'L RES MONEY #6542		667,868.44	667,868.44
365409	S99994230	1116	DREYFUS INST'L RES MONEY #6546		7,437,807.96	7,437,807.96
		1116 Total			8,105,676.40	8,105,676.40
365409	912828MM9	1154	UNITED STATES TREAS NTS~DT	30-Nov-11	1,999,616.08	1,986,960.00
365409	912810QC5	1154	U S TREASURY BONDS	15-Aug-39	339,165.63	332,296.88
		1154 Total			2,338,781.71	2,319,256.88
365405	31359M7M9	1155	FEDERAL NAT'L MTGE ASSN	11-Apr-22	1,627,842.04	1,724,079.24
365409	01N062615	1155	GNMA I TBA 30YR SFM 06.50% JAN	25-Jan-35	642,140.63	637,875.00
		1157 Total			2,269,982.67	2,361,953.24
			FEDERAL NAT'L MTGE ASSN POOL # 888796	1-Sep-37	1,627,842.04	1,724,079.24
365405	31410GNM1	1157				
365409	3128M5NL0	1157	FED'L HOME LOAN MTGE CO G#03695	1-Nov-37	659,174.59	693,959.17
		1157 Total			2,287,016.63	2,418,038.41
365405	949746NC1	1160	WELLS FARGO & CO NEW ~SR NTFL	12-Jan-11	435,375.00	449,748.00
365409	780097AN1	1160	ROYAL BK SCOTLAND GROUP	12-Nov-13	54,300.00	53,885.40
		1160 Total			489,675.00	503,633.40
365404	257559203	1159	DOMTAR CORP		22,243.61	21,609.90
365404	592688105	1159	METTLER-TOLEDO INTL INC		18,810.20	20,998.00
		1159 Total			41,053.81	42,607.90

The asset categorization report should include all assets in the portfolio at the end of each month. The chart above is a sample of the information needed on the report. The assets should be categorized by Alabama Codes. A listing of the Alabama Codes will be provided to the custodian.

Schedule G
PACT Trust Fund
Summary of Investments Held
December 31, 2009

PACT TRUST FUND Code	PACT TRUST FUND Description	Book Value	Market Value
1010	Cash Outside Treasury	(4,377,358.99)	(4,370,827.81)
1106	State & Local Obligations	34,990.00	35,000.00
1116	Cash Short-Term Account	12,915,835.04	12,915,835.04
1154	U.S. Treasury Securities LT	229,333,421.38	226,972,143.68
1155	U.S. Agency Securities LT	6,650,855.43	6,746,250.16
1157	Mortgage Backed Securities LT	79,637,953.73	68,028,037.80
1159	Domestic Corporate Stocks LT	76,218,147.19	75,961,043.81
1160	Domestic Corporate Bonds LT	42,654,624.81	40,324,268.40
1164	International Stocks LT	58,571,031.14	73,356,594.41
1165	International Bonds LT	48,116.25	51,855.89
1167	Derivatives	(10,253.50)	(10,587.50)
Total		501,856,183.34	500,188,275.10

Notes To The Report:

- 1) Cash Outside Treasury includes pending sales and receivables.
- 2) LT: Long Term